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NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI



Pegasus

Introduction by Dave Kansas	Page 2
Adam Smith: Designing Modernity by Stephen B. Young	Page 4
A New Awakening: 1776 – 2026: The 250-Year Struggle to Understand and Implement the Principles of the Declaration of Independence and the Wealth of Nations by Michael Hartoonian	Page 15
Caux Round Table 2025 Year in Review	Page 24

Introduction

This year marks two important 250-year anniversaries. The biggest is the celebration surrounding the U.S. Declaration of Independence, which started the 13 colonies on a path that would become the United States of America. In that same 1776 year, Adam Smith published his seminal book, *An Inquiry into the Nature and Causes of the Wealth of Nations* (more commonly known as *The Wealth of Nations*). While Smith toiled across the ocean in Scotland, his ideas infused the debates that had significant impact on the creation of the U.S.

Before we delve into Adam Smith, however, I'd like to point you to our year in review (annual report). It captures much of the important work that the Caux Round Table did in 2025. Locally, we hosted round tables, both in-person and on Zoom, made a push to showcase St. Paul's higher education strength and also continued our work internationally. On the global front, we kept driving for wider adoption of the Caux Round Table's work on moral capitalism, as well as drove deeper discussion on the covenants of the Prophet Muhammad that could outline a path forward for greater comity among the People of the Book. We partnered with a colleague, Eric Mahler, to launch Aretos Advisory, a firm that leans on Caux tools and experience. We encourage you to peruse the year in review and we welcome any questions or comments.

Back to Adam Smith, in his essay, "Adam Smith: Designing Modernity," Steve Young writes that Smith's book empowered capital and changed the world. His work laid the groundwork for a moral capitalism that would enrich humanity as never before in its history. "We can, in hindsight, appreciate Smith's thinking – on ethics in his *Theory of Moral Sentiments* and on economics in his *Wealth of Nations* – as providing us with a beneficial and sturdy foundation for human felicity and progress – personal, cultural, social, economic and political."

Steve notes that Smith's work has not gone unchallenged. But the challengers have consistently been found wanting on several levels. "For the past 250 years, opposition to Smith's thinking from the theories of socialism and more so of communism, did not facilitate the creation of either personal happiness or wealth."

He also provides an interesting insight into the "concept of 'laissez-faire,' so often associated with Adam Smith...[it] was actually coined by the Physiocrat Quesnay as a translation from the Chinese, from the Taoist concept of "non-action" or "*wu-wei*."

He adds that Smith's *Wealth of Nations* demonstrated that "we always have a guide as to how best we can be ourselves – how best to keep the self and the other in equilibrium, in a balance of fairness, reciprocity and justice."

In an essay titled "The 250 Year Struggle to Understand and Implement the Principles of the Declaration of Independence and the Wealth of Nations," Michael Hartoonian writes that "Smith's invisible hand is nothing less than the interior architecture of the ethical character that moves individuals and society toward the creation of wealth and public happiness."

He also underscores that Smith's *Theory of Moral Sentiments*, published in 1759, provides the "ethical framework for his *Wealth of Nations*."

He adds: "Two hundred and fifty years ago, a small group of enlightened people provided a framework for human flourishing. That framework crystallized the best of human thought and attempted an operational implementation of virtue, politics and philosophy."

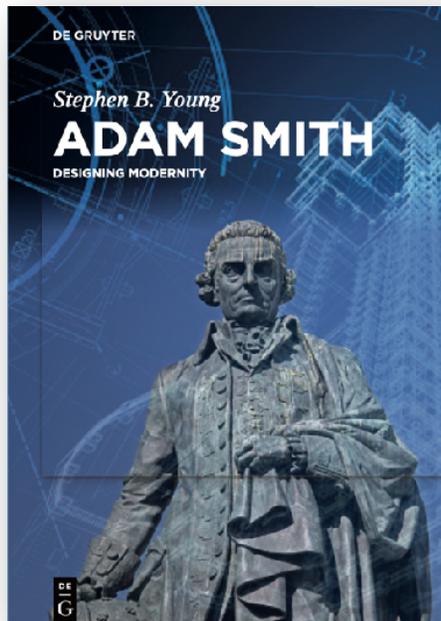
For us to fulfill the promise of the Declaration and *Wealth of Nations*, we have much work ahead of us.

Dave Kansas
Editor-at-Large
Pegasus

Adam Smith: Designing Modernity

Stephen B. Young

Two hundred and fifty years ago this coming March 9, Adam Smith's most influential book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, was published. To mark that anniversary and to honor the almost miraculous intellectual and so indirectly, the policy contributions of a great mind, the Caux Round Table is publishing, with De Gruyter Brill, a book of essays on the book.



(You may pre-order a copy [here](#) and can be found on Amazon [here](#).)

As editor of the book, I wrote an introduction. What follows is part of that introduction, my justification for admiring Adam Smith yet today, given our experiences and ruminations over these past two and a half centuries.

Capitalism, as first described by Adam Smith in 1776, laid the foundation for human modernity. Capitalism has made progress possible, doing more for human well-being than any other economic or political system.

We can, in hindsight, appreciate Smith's thinking – on ethics in his *Theory of Moral Sentiments* and on economics in his *Wealth of Nations* – as providing us with a beneficial and sturdy foundation for human felicity and progress – personal, cultural, social, economic and political.

But, first, to set the stage for a contemporary appraisal of the value of Adam Smith's contributions to our understanding how the “wealth of nations” is created without government direction and management, let us consider the merits of those who rejected Smith's observations and recommendations.

For the past 250 years, opposition to Smith's thinking from the theories of socialism and more so of communism did not facilitate the creation of either personal happiness or wealth. Socialism focused on the moral value of and public services for the transfer of income from some to others, using the state as the agent for redistribution. Karl Marx, more ambitiously, proposed to ignore modernity and in his communism, keep human communities rooted in past practices of rent extracting exploitation of citizens by those empowered to manage their life opportunities.

Roughly speaking, rents refer to money earned due to the holding of a position of power, such as having title to land or other property, like patents, copyrights or trademarks, or quasi-property in governmental positions, such as holding the office of police sergeant, mayor, regulator or thirdly, that of private coercion, such as mafia protection rackets or market monopolies

In their *Communist Manifesto*, Marx and his colleague, Friedrich Engels, insisted that “the history of all hitherto existing “society” is the history of class struggles”:

Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary reconstitution of society at large or in the common ruin of the contending classes.

The modern bourgeois society that has sprouted from the ruins of feudal society has not done away with class antagonisms. It has but established new classes, new conditions of oppression, new forms of struggle in place of the old ones.

The discovery of America, the rounding of the Cape, opened up fresh ground for the rising bourgeoisie. The East-Indian and Chinese markets, the colonisation of America, trade with the colonies, the increase in the means of exchange and in commodities generally, gave to commerce, to navigation, to industry, an impulse never before known and thereby, to the revolutionary element in the tottering feudal society, a rapid development.

The feudal system of industry, in which industrial production was monopolised by closed guilds, now no longer sufficed for the growing wants of the new markets. The manufacturing system took its place. The guild-masters were pushed on one side by the manufacturing middle class; division of labour between the different corporate guilds vanished in the face of division of labour in each single workshop.

Meantime, the markets kept ever growing, the demand ever rising. Even manufacturer no longer sufficed. Thereupon, steam and machinery revolutionised industrial production. The place of manufacture was taken by the giant, modern industry; the place of the industrial middle class by industrial millionaires, the leaders of the whole industrial armies, the modern bourgeois.

Modern industry has established the world market, for which the discovery of America paved the way. This market has given an immense development to commerce, to navigation, to communication by land. This development has, in its turn, reacted on the extension of industry; and in proportion as industry, commerce, navigation, railways extended, in the same proportion the bourgeoisie developed, increased its capital and pushed into the background every class handed down from the middle ages.

We see, therefore, how the modern bourgeoisie is itself the product of a long course of development, of a series of revolutions in the modes of production and of exchange.

Nothing really new here for Marx and Engels.

Thus, what Adam Smith described as transformative – division of labor and specialization of function – Marx and Engels relegated to the “same old, same old” perpetual system of classism and class antagonisms and so set in motion two hundred years of disparagement, belittling the self-sustaining and auto-expanding creation of wealth for the nations of humanity. Marx seemingly was

attempting to marginalize Adam Smith as the *bete-noire* for people captivated by Marx's proposed "scientific" socialism as the basis for humanity's best of all possible futures.

Pre-modern, pre-capitalist cultures did not and could not create much wealth.¹ They had no printing presses, no bicycles, no flush toilets, no antibiotics, no electricity, no airplanes and no cell phones. For millennia, stocks of human and social capital remained impoverished. Technology was primitive. What economic capital there was mostly took the form of land or money. Military, religious and social status and political power provided those so privileged with access to the ownership of both land and money.

Pre-modern economic systems were rent-seeking, using extraction modes of exchange and servitude to sustain elites. Markets were small and local. Elite command and control of labor delivered roads, dikes, irrigation, fortresses, castles and temples. Social power privileged the theocratic and the militaristic, who in turn privileged themselves extracting rents from subordinated populations.

So, it was not surprising that those regimes following Marx's thinking, both its idealism and its cynicism, never created much wealth – the Soviet Union and its colonies in Eastern Europe, China under Mao, North Korea, Cuba, Venezuela, Arab militarism and Islamic feudalism. The peoples living under such regimes or their successors have never fully modernized as have those living in those regimes more aligned with the insights and policy recommendations of Adam Smith respecting empowerment of individual moral agency.

Ironically, contemporary systems of managerial capitalism, including one-party state capitalisms, have revived rent-seeking by managers and rent extraction for the financing of elite privileges. Putin's Russia has revived Tsarist Russia with its centralized government, boyar landlords, all legitimized by the myth of the Third Rome embodied in Moscow's Russian Orthodox Church. Xi Jinping has revived in contemporary – and not yet fully modernized – China, the mandarin state of former imperial dynasties as first proposed by Mozi in 400 BCE.

¹ W.W. Rostow, *Stages of Economic Growth*; David Landes, *The Wealth and Poverty of Nations*; William Easterly, *The Elusive Quest for Growth*.

By drawing attention to the possibilities and advantages of capitalism, saving us from slavish authoritarian ways of being governed and serf-like, paying rents as demanded by our overlords, Smith deserves our thanks.

Why a Book about Adam Smith?

To encourage appreciation for his work with the benefits of 250 years of hindsight and commentary and to honor his insights, for he was the first to describe the way of living, working and investing which would modernize humanity.

What Did Adam Smith Want to Accomplish in Writing *Wealth of Nations*?

Smith wrote as an observer, a journalist of sorts, to describe what he was seeing in the society around him as new and important for the provision of economic goods. He did not write as an ideologue advocating an articulate theory of micro or macroeconomics seeking to shape public policy. His observations were more like those of an anthropologist reporting in detail how a social system functioned, while drawing some common sense conclusions as to its mechanics and their consequences. His work reminds me of what anthropologists call “thick description.” Ruth Benedict’s work on bringing us more in harmony with Japanese cultural and social realities in *Chrysanthemum and the Sword* and Richard Solomon’s success in allowing outsiders to vicariously be a part of Chinese political culture in *Mao’s Revolution and Chinese Political Culture* are contemporary analogies to what Smith was seeking to accomplish. Smith sought to educate us as to what was happening. He was serving only as a reporter and commentator, not as a prophetic theologian prescribing a catechism for social justice.

An insight into Smith’s methodology is provided by a student’s notes of his March 1763 lecture on jurisprudence. He sought to understand how a society functioned, in this instance how a society operationalized policy or politics.² He lectured that one of the goals of state policy was “the proper means of introducing plenty and abundance into the country, that is, the cheapness of goods of all sorts.”³ He noted that cheapness was a necessary consequence of plenty. So, for

² *Lectures on Jurisprudence*, 331.

³ *Lectures on Jurisprudence*, 333.

the people to have low prices, there must be a large supply of whatever they want to buy. Plenty, he argued, came from production and the deployment of human capital to improve the process of production: “The butcher, the miller, the baker, the brewer, the cook, the confectioner, etc., all give their labor to prepare the various products of the earth for food to man... the shops of the upholsterer, the draper, the mercer, and cloth-seller,... the carpenter, the mason, the bricklayer, the artificers of brass and iron, copper... tend to the same end. ... All the several arts and businesses in life tend to render the conveniences and necessities of life more attainable.”⁴ Smith then noted that because of the industry and ingenuity of all those in these trades, “an ordinary day-laborer” in England “has more of the conveniences and luxuries of life than an [American] Indian prince at the head of 100 naked savages.” Smith then explained that “the division of labor among different hands can alone account for” the plenty in one society and the dearth of goods in the other. He then examined the invention of machines, the production line of a factory making straight pins used in sewing, the need of workers to act in concert and how those in need of help from others go about securing that assistance.

All this was a study of how goods are made, not a theory of how best to allocate social roles or political power. Smith was reporting, not preaching.

From a theological standpoint, Smith was simply living out the optimistic vision of the Scottish enlightenment appreciating God’s creation as one made with care and concern for our use and benefit – an earthly realm of common grace. His approach in explaining in one book human moral sentiments and in a second book the constructive, worldly use of natural, human and social capitals seems well designed to help us make the most of God’s earthly kingdom, to make the most of God’s gift by learning how to use its possibilities, its energies and to bring out the best in our species.

In the eighteenth century, Adam Smith was the recipient of two hundred years of an exceptional intellectual tradition – the invention of the scientific method and the practical use of that method to understand the laws of nature and nature’s god. This method, new to human history, proceeded step by step, hypothesis by hypothesis, one factual investigation and experiment followed by another factual investigation and experiment. The scientific method integrated into a body of secular knowledge theory and reality, human imagination, thoughts and

⁴ *Lectures on Jurisprudence*, 338.

propositions expressed in words and the workings of the cosmic order from distant stars to tiny microbes not visible to the eye.

Smith's work on the "science" of producing wealth was published in 1776, the same year as the British colonies in North America determined that they had an irrevocable "separate and equal station" to which the "Laws of Nature and of Nature's God" had entitled them to enjoy in freedom and independence. So, with that justification for their actions, they declared themselves to be independent and no more subject to the dominion of the British Crown and Parliament.

While the scientific method had its center of progress in England, in 1543, Nicolaus Copernicus published *De revolutionibus orbium coelestium (On the Revolutions of the Heavenly Spheres)*. Galileo, in Italy, had paved the way with use of the telescope. Leonardo DaVinci studied the human body.

In 1604, Johannes Kepler published *Astronomiae Pars Optica (The Optical Part of Astronomy)*, proposing the inverse-square law governing the intensity of light.

In England, Francis Bacon wrote the *Novum Organum* in 1620 in Latin, which proposed that we humans could be "the minister and interpreter of nature," "knowledge and human power are synonymous" and "nature can only be commanded by obeying her." By seeking to know nature, we could have power over nature, bending it to our will. For Bacon, this would reestablish the "dominion of man over creation," which had been lost by the fall of Adam and Eve in the Garden of Eden. Following science, then, would raise humankind above helplessness and poverty, while coming to enjoy plenty and well-being.

Blaise Pascal invented the mechanical calculator in 1642. The first scientific society to be established was when a royal charter was signed on July 15, 1662, creating the Royal Society of London.

Robert Boyle pioneered chemistry and is best known for Boyle's law (1662) on the inversely proportional relationship between the absolute pressure and volume of a gas when the temperature is kept constant within a closed system. Isaac Newton's 1687 publication *Principia* gave us the laws of motion and universal gravitation.

In 1673, Samuel Pufendorf wrote on morals as the product of natural law and therefore, discoverable through study of reality. His book, *The Whole Duty of*

Man According to the Law of Nature, was translated into English in 1691. John Locke's *An Essay Concerning Human Understanding* on natural laws of human cognition had appeared in 1689.

In England, learning about the immutable laws of nature was applied to increasing the productivity of land and domesticated animals to improve standards of living. Selective breeding for desired traits was established as a scientific practice by Robert Bakewell in the 1700s. Jethro Tull invented a rotating cylinder seed drill to improve the planting of crops. In 1731, he published *The Horse-Hoeing Husbandry*. Viscount Charles Townsend in the 1730s introduced turnip farming on a large scale, making possible a four-crop rotation (wheat, turnips, barley and clover), which allowed fertility to be maintained with much less fallow land.

The first steam engine was invented by Thomas Newcomen in 1712 and introduced commercially in 1776, with the first one sold to the Carron Company. In 1781, James Watt invented a gear to transform the linear motion of the engines into rotary motion. Watt's partner, Matthew Boulton, introduced other machines making use of this rotary motion, leading to the first modern industrialized factory, the Soho Foundry.

Carl Linnaeus (1707–1778), a Swedish biologist and physician, invented a system for naming organisms – genus and species – which permitted more rigor in reporting on the natural world of plants and animals and so better describing similarities and differences among them.

Simultaneously in France, the scientific method was applied to the creation of economic value. Its advocates – François Quesnay (1694–1774), Marquis de Mirabeau (1715–1789) and Anne Robert Jacques Turgot (1727–1781) – were called “physiocrats,” from the Greek word for “governance of nature.”

Worthy of note is that the concept of “laissez-faire,” so often associated with Adam Smith, was actually coined by the physiocrat Francois Quesnay as a translation from the Chinese, from the Taoist concept of “non-action” or *wu-wei*. Quesnay was evidently moved by the Taoist concept of the *dao* or the “way” of nature into which we humans must fit our ambitions and actions.

Adam Smith, therefore, was very much a man of his time. He was a naturalist examining not natural, but social systems, seeking to discern the laws of nature at

work in the human-verse and then report his findings. His first book on moral sentiments was a study of human nature, rather like the work of a modern anthropologist or psychologist, a Freud or an Erik Erikson. He described the natural orientation of human persons to sociability, given the possibilities inherent in their nature. In this work, Smith was a user of the scientific method to dissect the natural origins and assess the inherent powers of morals and ethics.

The creation of science opened the possibility for modernization of human experience. The laws of how things work needed to be understood before such things could be made to work better. Natural laws cause the future to happen. Knowing such laws made predictions highly accurate, expanding the human capacity for being prudent. Knowledge of causation, of possibilities, of necessary outcomes – not the gods above or the devils below – makes us masters of our fates.

What about Greed?

Is capitalism, by its nature, repugnant to our best instincts and contrary to our best behaviors? Why did not Smith see this and protest if he was so concerned with the quality of our moral sentiments?

But in *Wealth of Nations*, he quite bluntly rejected what he called “the vile maxim of the masters of mankind ... All for ourselves and nothing for other people.”

Thus, a contemporary fixation – accusing Smith of divorcing capitalism from ethics – misunderstands the man and his engagement with the natural order of human purposing. Smith was acutely aware of systems, of interdependency, of multiple variables and sources of energies and outcomes. He could discuss reason without forgetting morals and the reverse – a focus on morals, while not ignoring the contributions of reason. Thus, on the dynamics of markets and the drive of capitalists or persons in general, Smith could accept self-interest as part of a natural order and also moral sentiments as a check on that crasser, materialist, self-centered search for mastery in a world without tears.

His advice on such intermediation within the natural world was the ideal of prudence – a virtue: “This superior prudence, when carried to the highest degree of perfection, necessarily supposes the art, the talent and the habit or disposition of acting with the most perfect propriety in every possible circumstance and situation. It necessarily supposes the utmost perfection of all the intellectual and

of all the moral virtues. It is the best head joined to the best heart. It is the most perfect wisdom combined with the most perfect virtue.”

Wealth of Nations is not a prescription for rising above our natures. Like any other phenomenon taking part in the cosmic order of things, we are what we are and Smith knew this. But he also knew that humans have moral sentiments that guide their understanding of what is in their best interest. If Smith is an advocate of anything, he is for making the best use of nature, including our natures, as we would make the best use of soil, water, heat, sheep’s wool and cotton fibers.

Smith accepted self-interest – greed – as part of human nature and not as something that could be ignored or removed from human living. In this, he was not utopian. He did not expect the ideal of perfection ever to be a practical norm for human achievement. What you mostly see in people is what you mostly get. That is the scientist’s way of looking at the facts and at what is observable and measurable. That realism is how a naturalist describes the workings of nature or how an anthropologist describes a culture. To fall back on Smith’s Christian tradition, we can say that the human person rarely eradicates the urgings of *superbia* – pride – and of the *libido dominandi* – the psychic enjoyment of domination.

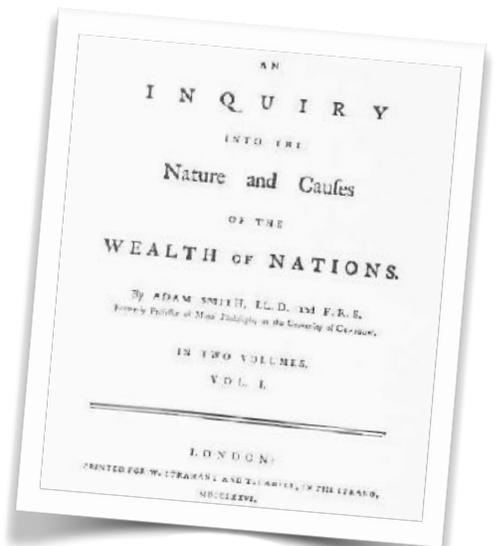
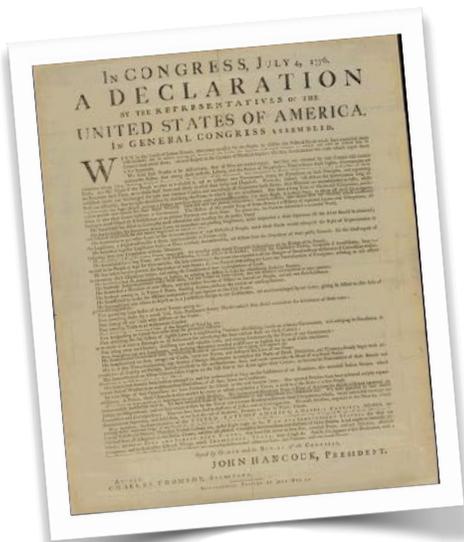
He did not limit his understanding of human nature to the dictates of a crass and unfeeling self-interest. The use of prudence puts restraints on self-interest. A prudent self-interest is an enlightened self-interest, a self-interest well considered upon the whole of possibilities and circumstances, a self-interest that restrains the urgings of *superbia* and *libido dominandi*.

“In the steadfastness of his industry and frugality, in his steadily sacrificing the ease and enjoyment of the present moment for the probable expectation of the still greater ease and enjoyment of a more distant, but more lasting period of time, the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator and of the representative of [that] impartial spectator, the man within the breast.” Smith’s “impartial spectator” is what we would call our common sense or our conscience, that emotional/intellectual ability vested in our mind to see into the minds and hearts of others and the course of future events.

In his *Theory of Moral Sentiments*, Smith’s observer, sitting in judgment over our biases and pettiness, checks and balances our more insensitive and foolish

impulses and judgments with a concern for others and a more objective calculation of the consequences to be set in motion by our desires and schemes. In us, therefore, we always have a guide as to how best we can be ourselves – how best to keep the self and the other in equilibrium, in a balance of fairness, reciprocity and justice.

Stephen B. Young is Global Executive Director of the Caux Round Table for Moral Capitalism.



A New Awakening

1776 – 2026: The 250-Year Struggle to Understand and Implement the Principles of the Declaration of Independence and the Wealth of Nations

Michael Hartoonian

*Public virtue cannot exist
In a nation without private virtue*
— John Adams

Introduction

The year 1776 marks the 250th anniversary of the Declaration of Independence and the publication of Adam Smith's book, *An Inquiry into the Nature and Causes of the Wealth of Nations*. The former, written by Thomas Jefferson, was and remains still the political and ethical ground in which the American experiment is rooted. Abraham Lincoln noted as much in his Gettysburg Address: "Four score and seven years ago (1776) our fathers brought forth, upon this continent, a new nation..."). Adam Smith's work presents the foundation of what we understand as capitalism. Both provide the necessary principles for living in a society that practices individual liberty and where the market is encased in ethics. Smith's invisible hand is nothing less than the interior architecture of the ethical character that moves individual and society toward the creation of wealth and public happiness. While these foundational principles are necessary to the construction of any society that seeks to balance the tensions between equality and freedom, unity and diversity, law and ethics and private wealth and public wealth, sufficiency can only come from the virtuous character of the individual citizen. The citizen is not just any individual, but one who understands the obligations of holding the office of citizen and who has a trained eye and operational moral sentiments. Most of all, he has the will to travel the path of reason and virtue.

In 1759, Adam Smith published *The Theory of Moral Sentiments*, which formed the ethical framework for his *Wealth of Nations*. Smith's ideas, along with those from other Enlightenment writers, put in play principles like natural rights, popular sovereignty, the individual as the center of moral concern, constitutional government and the importance of the commons (the public sphere). In the American colonies, these ideas were in the air and discussed at taverns, in the newspapers and even during church services.

Starting in 1763, with the end of the Seven Years' War, the North American colonies of England and the mother country began moving apart primarily because of a fundamental change in British fiscal policy, moving from mercantilism to a harsh imperialism, which treated the colonists like second class subjects, trying to regulate commerce and settlement patterns and levying taxes on economic commodities, doing whatever possible to get the colonists to help pay for a war of ignorance and vulgar egotism between France and England. In a real sense, a cold civil war began to ferment, which empowered the intellectual, political and economic leaders of the colonies to bring together the ideas of over 2,000 years of history and send those ideas into battle against the inconsistencies between imperial law with nature's law. Within this time of turmoil, there developed a political crucible filled with the content of history, philosophy, unique geography, new market-driven economic theories and a capacity for risk-taking born out of self-sufficiency. With dedicated labor, defined by hardship and sacrifice, this crucible produced an unfinished "jewel of history." This was a jewel that only "We The People" would shine, polish or improve on by understanding that they were the fourth branch of government, with the responsibility to hold the other three branches to their duties as stewards of the principles laid out in the Declaration of Independence, in the Preamble of the Constitution and in the moral sentiments of Adam Smith. The ideas therein represented liberal democratic ideals and now they would be presented to the world. This was the most complete, comprehensive and focused set of political and economic theories, along with moral thinking, that, arguably, the wise from many world cultures and religions had ever developed. And now, these colonial leaders were to take these ideas and implement them across a vast natural and culturally diverse landscape.

The Eighteenth-Century Question: By What Right Does Anyone Rule Anyone Else?

The short answer is: by the citizen's right of granting permission or consent. How shall I be governed is a dependent variable resting on the foundations of accessible knowledge (content) and rightful conduct (virtue). This is a "given" in any theory of popular sovereignty.

To comprehend the birth of liberal democracies and market-driven economics, we must come to understand that the political knowledge or framework and material commerce or market operations of today are (only) derivatives from 18th century intellectual discussions and "on the ground" experimentation. The problem with derivatives, however, is that for them to maintain their moral integrity, they must be grounded in history, absent the cherry-picking

of historic themes that fit a particular bias. Thus, the remembrance of the Declaration of Independence and the *Wealth of Nations* is not simply a nice thing to celebrate, but a necessary thing to understand. More than any other time since the 18th century, we need to remember, but more importantly, we need to understand that our survival as liberal democracies is necessarily a function of our willingness and ability to grasp the lifeline that the 18th century affords us.

That For the Sake of Which

The American Revolution was a minority movement. Only about a third of the colonial English subjects favored splitting from England. So, the leaders of separation had to present a rationale that was reasonable to the world. That rationale, the Declaration of Independence, had to be clear: revolution (that) for the sake of freedom (which). But what was the meaning of that freedom? To whom would it apply? Was the pledge of lives, fortunes and sacred honor worth it? What were they willing to die for? What were they willing to live for? Do we, today, know the answers to these questions?

Adam Smith presented another set of questions. If people are responsible for generating wealth, how can we best support those people? Do we, today, know the answer(s) to this question?

The rationale for capitalism seems more complex than the reasons for freedom only because people confuse wealth with money and refuse to see that greed or blind self-interest is not good, but destroys both freedom and wealth.

Why, then, is it imperative for all those honestly interested in the principles of democratic governance and moral capitalism to remember 1776?

As an important and necessary aside, the (rationale) for the U.S. Constitution, as developed in the Federalist Papers, will answer, in some detail, the political foundations upon which a republic can function and provides the bridge from principles to practices. In the realm of political philosophy, I would place the Federalist Papers on the same shelf as Machiavelli, Hobbs, Cicero, Aristotle, St. Augustine and Rousseau.

Political Legitimacy and Market Order

This principle, based on the works of the Scottish, German and to a lesser extent, the English Enlightenment philosophers, makes clear that if a nation is grounded in these ideas, that nation must have citizens who are comfortable with debate, conflict, uncertainty, compromise and progress. And above all, they must see responsibility and virtue in all people.

If the goal was to justify the legitimacy of government, the founders had to put the people in charge, but what kind of people? From Aristotle, they understood that democracy could become a corrupt form of government if people, rich or poor, did not have the necessary virtue to rule “self” and to discern truth from fact. Aristotle also feared the mob rule of

the majority. This, the founders came to understand, as they worked to insist on minority rights, written into the first ten amendments, a condition for ratification of the Constitution. Jefferson was insistent on general education, so citizens could know when to rid the government of rascals by gaining the understanding that one goes to school “not to become better off, but to become better – period.”

People have always had trouble with personal responsibility of self-government. Many people are so intellectually lazy that they would prefer having someone else tell them what to do. This will not do and will weaken any republic. This trouble primarily stems from an ignorance of history and the belief that I can use the government to further my personal well-being, while not understanding that a republic is about e pluribus unum. The individual is only viable within the polis – the many. Political legitimacy is not something given to an individual. It must be earned through education and virtuous habits. Do I deserve to be a citizen? Have I earned the knowledge and skills to hold the office of citizen – the highest in the land of the republic?

The Moral Structure of Free Societies

Both Jefferson and Smith believed in the internal architecture of virtue as a necessary condition for the practice of free will and conscience. They realized that anything free must have an internal ethical structure or lawlessness will become the “normal” way of behavior. However, they did not see this quality as innate, but developed over long training and rightful habits. As Jefferson might have said, the temple of virtue and reason can only be entered through the courtyard of habit. Jefferson built his necessary condition on education, while Smith constructed an internal architecture of moral sentiments in a more inductive process, eventually calling it the guiding invisible hand. That is, as the producer and consumer engage in the market, it soon becomes clear that transactions must be governed by trust – by an internal structure of virtue.

The operative word here is “structure.” Morality has a structure deeply embedded in the culture’s sense of moral relationships with others and the land. Democratic republics construct moral frameworks through the use of language and the enactment of laws designed to align societal ideals with everyday realities. In the U.S., these foundational objectives are articulated in the Declaration of Independence, the Preamble to the Constitution and the Bill of Rights. The Constitution itself outlines a process, via amendments, for progressing toward “a more perfect union.” This approach embodies the discrepancy theory of democratic governance, which addresses



“Governments are instituted among men, deriving their just powers from the consent of the governed.” – U.S. Declaration of Independence

the gap between current conditions and the aspirational ideals stated in the Preamble.

Nature's Law and Human Nature

The ideas of natural or nature's law have been discussed by scholars and political leaders since the time of Plato and before. But not until the 18th century was there a place on earth and a group of forward-thinking individuals who had the courage to implement the concepts that 1) any legitimate government must be grounded in the consent of the governed and 2) suggested the audacious notion that all people are created equal and have God-given rights (and attending responsibilities). Interesting notions, but far from what was being played out in everyday life.

The Need for Civic and Civil Debate

How does a nation move toward a "more perfect union?"

The United States of America was and is an idea sustained through debate. In order for citizens to become engaged, they must understand, practice and use debate to reach decisions and evaluate public policy.

Students and citizens are familiar with debate through school or community conversations, but also from poor examples of shouting matches in the media and elsewhere. Engaging and productive debate has distinct characteristics that can be used throughout life, including a preference for honesty, courage, judgment, thoroughness, civility and diligence in conversation. The effective debater also is an empathetic listener who is willing to explore underlying assumptions and use clearly defined vocabulary. We debate to improve society, community and the cultural landscape. This improvement usually takes place when citizens effectively evaluate the present conditions of society, suggest a better path into the future and help design and implement public policies that will positively move the community toward a better economic, social or cultural goal. This is the application of discrepancy theory.

Through debate, we judge and implement policies supported by facts, theories and values. We understand, however, that facts and knowledge may vary with context and will change, which should lead us to be skeptical of certainty and dogmatism, including our own. Through debate, citizens can pursue excellence in conversations with others about the quality of life. These conversations are pointed and often passionate because they affect personal and family life.

Debate has distinct grammar or set of rules. Understanding the grammar of debate allows us to converse and argue in a more thorough way. Ongoing, respectful debate is essential for democracy and helps to enhance individual welfare and enrich the community. Democracy is diminished when debate ends.

It is important to recall that the American republic was born in argument.

The Democratic Mindset

Republics require people to understand that debate is not sustained for the purpose of establishing absolute rights and wrongs. It is a conversation about the tensions among important democratic values. We also must understand that values are based upon perception, worldview and bias, as much as on facts. Perception allows people to see and hear best those bits of information that fit into their view of how the world works. With this in mind, it becomes critical, in debate, to question assumptions, as well as facts.

To participate productively in these civic debates, we educate ourselves toward developing and cultivating a distinctly democratic mindset. What is this mindset and why is it unique to the citizen, absent such, there can be no citizen, only a subject?

The democratic mind is capable of debating two conflicting values, while noting the assumptions and essential merit of both. This is seeing the world from a “both-and” perspective in contrast to “either-or.” It is tempting for humans to take a more concrete “black and white” or “us-them” view of the world, but this ignores the complexity and the integrated and nuanced nature of most issues. It is intellectually easier to take an either-or position and many people do – particularly in this age of conveniently segmented internet and mass media markets. We tend to listen mostly to those with whom we agree. An either-or mindset tends to reinforce our biases and prejudices. This, however, robs us of seeing other perspectives, understanding more deeply and ultimately, seeking the contested truth.

Debating the Value Tensions of Democracy

This either-or thinking must be encountered and challenged continuously by citizens through engaging the “democratic value tensions.” Eight values make up the operation values of democracy. However, they are in tension with one another. The eight values are logically placed in four sets and are central to democratic debate:

1. Law vs ethics
2. Private wealth vs common wealth
3. Freedom vs equality
4. Unity vs diversity

This framework allows us to understand historic events, analyze current issues and address the problems inherent in a democratic republic. One mark of an enlightened citizen is the ability to intelligently understand that the major democratic values are all acceptable when put in perspective and not taken to extremes. The citizen also knows these values are fluid or dynamic and unless they are kept in balance, the republic is jeopardized. Thus, citizens must use the four sets of values in addressing matters of public interest.

In daily life, we encounter many situations in which worthy values, ideas and policies are in conflict. It is through characteristics of the democratic mind that citizens can address issues with civility, better understand their subtleties and reach more thoughtful, wise decisions. Many issues can be effectively resolved through the lens of one or more of the four democratic value sets. These pairs of values are inherently antagonistic. Yet, together, when in balance, they hold the promise for a better society. In a healthy democratic republic, citizens and their representatives work to bring these value pairs into balance, as they point to the resolve of issues through reason and virtue.

The founders debated many issues, both in the writing of the Declaration and at the Constitutional Convention. They had problems such as larger and smaller states issues, different economies, enslaved people, vast expanses of land that had to be accounted for and interactions with foreign countries. All of these issues were, at base, issues of conflicting values. And the issues we deal with today or not deal with are also issues of conflicting values.

Immigration, for example, is not a problem of either/or. It's a balancing act of building a healthier country using the values that are in tension with one another

Law versus ethics addresses the need to base law on civic virtue and not on social taste or celebrity. Laws can be cruel. "If slavery is lawful or right, anything can be lawful." But it's not. It is absent ethics. History is filled with bad or unethical laws. Within a democracy, however, law must be in balance with morality and lawmakers must know enough human and physical history, religion and philosophy to debate how laws enhance or destroy our moral, generational covenant.

Private wealth versus common wealth is a necessary debate for any society interested in a market economy or republican form of government. The incentive of private wealth is linked to the idea of having "skin in the game." It is also critical to the concept of patient capital or delayed gratification. The people, through government, provide the material and moral infrastructure to ensure that economic opportunity is there for all. That infrastructure, constructed through debate, can include education, healthcare, transportation, parks, libraries, museums, theaters and other things that will help citizens be healthier, more educated, civically engaged and interested in serving their cities, states and one's nation. Within a market-driven and democratic society, there can be no common wealth without private wealth and no private wealth without common wealth.

Freedom versus equality presents itself as a necessary tension and through debate, we can understand that if we don't consider freedom with equality, we will lean toward only one or the other, bringing about the destruction of both. Freedom needs a direct object – freedom from what? Freedom to achieve what? And of course, equality is a civic condition, not viable in the state of nature. The civic realm is the necessary context for any human to experience equality. Balancing equality with freedom is the genesis of democracy.

Unity versus diversity (e pluribus unum) is necessary to hold in balance so we can keep our identity as a nation and to enhance our social DNA through bringing in new people. Our laws, formed through debate, should reflect and implement this balance. Remember that the logical extension of diversity is anarchy, while the end point of unity is totalitarianism. Only balance works for democracy.

Every issue before the people or their government(s) should use the framework of the democratic value tensions to debate for the sake of assuring that these fundamental values hold their balance.

A Bridge to Contemporary Human Flourishing

Two hundred and fifty years ago, a small group of enlightened people provided a framework for human flourishing. That framework crystallized the best of human thought and attempted an operational implementation of virtue, politics and philosophy. They started building a democratic bridge into the future and would give those of us who followed a chance and a choice to live in a society governed by citizens who would be wise and responsible enough to grasp the opportunity and to engage in a civic argument that would determine if that bridge could be constructed going forward. Since 1776, many planks in the bridge have rotted and some have been built with little or no integrity. We seem to have forgotten how a republic can be kept or better, how a democratic republic and market-driven society can reclaim its identity, its purpose and its sense of civic virtue.

The year 1776 may provide us with a celebration of freedom, but freedom, for its own sake, can quickly become a vulgar and selfish belief without a transcendent quality and the ability to answer the question: freedom from what? Freedom must be understood as an opportunity and as a sacred responsibility or it simply becomes a meaningless catchphrase.

The work of rebuilding our bridge will take a new perspective on the essence of those relationships that foster health, wealth and happiness. In all cases, these attributes are fostered through moral cooperation, mutual respect and the simple idea that the better off that my neighbors are, the better off I will be. The secret and genesis are in the words e pluribus unum. If you expect a good society – unum – you must do whatever you can to lift up all the people – pluribus. Health, wealth and happiness are always functions of individuals who are responsible for becoming well educated (as opposed to being just trained), who take care of their mental and physical health, take great interest in civic affairs and understand that choices about wealth, health, meaning and happiness are choices made by individuals and society – together.

Because of these truths, I am not optimistic, simply because within the republic and in all of our institutions, fear is replacing love, transnationalism is replacing relationships, ideology is replacing education, technology is replacing religion and celebrity is replacing character. The task before us will be long and hard. Many will just sit and watch, believing they are victims and owed something. Many more will think (and behave) that unum can be built by simply

believing that it is fine for citizens to use any or only their “native” language in society to define culture in such a way that it becomes about intolerance and not about moral relationships and to hide from controversy and debate through the make-believe comfort of a human or technological dictator.

Can we turn from hate to love? From ideology to education? From transnationalism to relationships? And from intellectual laziness to moral agency?

To accomplish these things, we will need (again) to meet and work together in families, schools, firms, government and at the service clubs, sports leagues, community outings and many more informal get-togethers where citizens can engage and come to know each other and work for the betterment of the community and their institutions. If you want better schools, you need better families. If you want better firms and government, you need better education. And if you want better communities and a nation, we need better institutions, both private and more importantly, public.

Conclusion

Wealth and excellence are in the people, but the people have to want it and work for freedom, equality, common wealth, private wealth, ethical laws and government and e pluribus unum. Sitting on our back sides and letting someone else do the work is the best way to disrespect the republic – this jewel of history.

Mark 1776 not just with celebration, but with a renewed commitment to democratic ideals, ethical market practices, personal freedom and public well-being.

Michael Hartoonian is Associate Editor of Pegasus.



2025 Year in Review

Introduction

“If you don’t know where you are going, any road will get you there.”

In uncertain times, thought leadership is especially important. Since 1986, the volunteer members of the Caux Round Table have sought to provide their times with thought leadership – ethical, but practical principles for moral capitalism and moral government.

The goal of thought leadership is to help good decisions get made. For this, I like to reflect on Robert Frost’s telling poem on courage in making life choices:

*Two roads diverged in a yellow wood,
And sorry I could not travel both
And be one traveler, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;*

*Then took the other, as just as fair,
And having perhaps the better claim,
Because it was grassy and wanted wear;
Though as for that the passing there
Had worn them really about the same,*

*And both that morning equally lay
In leaves no step had trodden black.
Oh, I kept the first for another day!
Yet knowing how way leads on to way,
I doubted if I should ever come back.*

*I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I –
I took the one less traveled by,
And that has made all the difference.*

New Book on Adam Smith

To mark the 250th anniversary of the publication of Adam Smith's book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, the Caux Round Table prepared a manuscript for publication in 2026. Edited by Steve Young, Caux's global executive director, [the book](#) contains chapters written by Caux fellows discussing Adam Smith's relevance to modern markets and governance.

Pegasus

In our monthly newsletter *Pegasus*, we have set our goal as providing context for the making of good choices at this time. We have brought forward the intangible foundations for well-being, which are to be found in social and human capitals.

Some select essays of the year include:

- "Social Capital: The Path to Happiness"
- "Muhammad and the Christians: Commemorating the Covenants of the Prophet"
- "Friedrich Nietzsche: The Devil's Advocate"
- "Culture is Our First Teacher"
- "Artificial Intelligence Threatens to Increase Knowledge Inequality"
- "Friendship: The Better Way Forward to Disenfranchise Racism and other Invidious Discriminations"
- "Repairing Our Stewardship of Creation: Abrahamic Social Thought and the Global Economic Crisis"

Zoom and In-person Round Tables

We have convened round tables – internationally by Zoom and locally in St. Paul, Minnesota in person – to provide moments of pause and reflection on what seems to be important, but not performative only or just on the surfaces of events and social media exposure.

Some of them included:

- "Did Nietzsche Accurately and Insightfully Expose How Western Civilization Would Collapse in Our Time?" (Zoom)
- "Wither St. Paul?" (in-person)
- "What if Social Media Marries AI?" (Zoom)
- "Civilization States: Progress or Retrogression?" (Zoom)
- "Keeping on Top of the Implosion of Our World Economic Order" (Zoom)
- "Prerogative and the Rule of Law?" (in-person)
- "Can Any Good Ever Come from a Tariff War?" (Zoom)
- "Is Our Politics at Odds with Our Civics?" (in-person)
- "Can Donald Trump Deliver Moral Government?" (Zoom)

St. Paul Prize

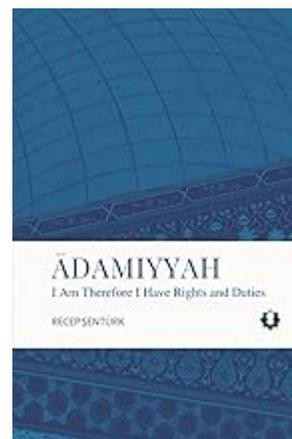
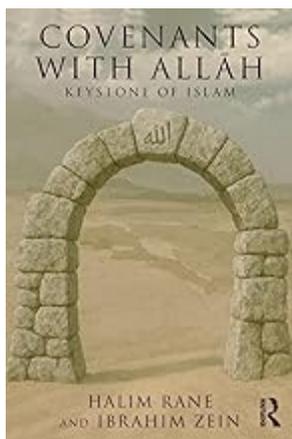
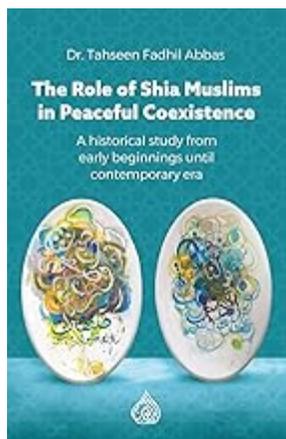
Here in St. Paul, we have, as best we could, walked our talk by applying the principles of moral capitalism and moral government to the challenge of sparking a renaissance for a once-thriving and prosperous downtown. Our special initiative is to draw on the social and human capitals of 7 colleges and universities in the city to “fund” new activity, new businesses, new supplies of entertainment, convenings of the like-minded and other “products” which make a city a city, where multiple values are added to many lives and enterprises, for profit and not for profit. We have proposed the creation of a “St. Paul Prize” for graduates of the colleges and universities in St. Paul to provide support and incentives to graduates with innovative and entrepreneurial ideas in many fields to assist them in developing their ideas in St. Paul after graduation.

Strategic Alliance with Aretos Advisory

The Caux Round Table accepted supporting a new advisory company, Aretos Advisory, giving it access to our tools for enhancing management of stakeholder relationships and leadership abilities at every level of an enterprise.

Covenants of the Prophet Muhammad

Internationally, we continued our outreach around the covenants given 1,300 years ago by the Prophet Muhammad to respect and protect Christians and Jews. We have been especially honored and gratified to witness the important intellectual leadership by our colleagues Prof. Recep Senturk, Prof. Tahseen Fadil Abbas, Prof. Ibrahim Zein and Prof. Halim Rane in having published the following books:



In May 2025, Professors Ibrahim Zein and Recep Senturk presented very important and most well received lectures on learning from the Covenants of the Prophet Muhammad at the Vatican’s Pontifical Institute of Arabic and Islamic Studies.

A Pre-modern Korean Teacher of Moral Capitalism

For the second year in a row, Steve Young attended a conference in Jinju, Korea on the continuing influence of the 16th century scholar, Jo Shik. Shik taught a neo-Confucian analogue to moral capitalism, a practical philosophy of business which inspired the founders of LG, Samsung, SG and Hyosung, all of whom were born in the same village near Jinju and who were taught Jo Shik's moral philosophy in the same school!

Internationalizing Moral Capitalism

Moral Capitalism, written by Steve Young, was translated into Russian and published in Russia. The book was also accepted for translation into Vietnamese and will be published in Hanoi.

Reforming Higher Education

Fellows John Knapp, former president of Washington & Jefferson College and Orn Bodvarsson, a former dean of four colleges, have collaborated to edit a book on how to reform higher education in America and so to give relevant vitality and purpose to the enabling social and human capitals which are the products of excellence in higher education.

Email Notices

Many email notices on relevant and timely topics were sent throughout the year, six of which were:

- “Donald Trump Through the Eyes of Confucius and Cicero”
- “Who Pays Tariffs – Them or Us?”
- “Is it Wrong to Point the Finger at Immigrants Who Violate American Laws?”
- “Toasters and Moral Capitalism”
- “Dystopia on the Horizon: Desiccating Brains – Capitalism Destroying Human Capital”
- “Minneapolis: Democratic Socialism or Moral Capitalism?”

Website and Social Media

Approximately 11,500 people visited our website throughout the year. The average visitor viewed at least two pages thus the website had approximately 23,000 views. Our website is updated frequently with news, regular commentaries, upcoming round tables and events, and more.

We posted regularly to our social media, which included new videos to YouTube and posts on X (Twitter), Facebook and Substack.

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Eraj Weerasinghe – United States
Michael Wright – United States
Ibrahim Mohamed Zain – Malaysia

The logo features a large, black, hand-drawn circular brushstroke that is open at the bottom. Inside the circle, the text "CAUX ROUND TABLE" is written in a teal, sans-serif font, and "FOR MORAL CAPITALISM" is written in a black, sans-serif font below it.

CAUX ROUND TABLE FOR MORAL CAPITALISM

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David Kansas

Michael Hartoonian

Jed Ipsen

Patrick Rhone

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Editor-at-Large

Associate Editor

Assistant Editor

Layout & Design

We hope you enjoyed this issue of Pegasus. Please feel free to share it with others. They can sign up to receive it directly at: <https://www.cauxroundtable.org/pegasus/>

